United Nations A/72/536

General Assembly

Distr.: General
16 October 2017

Original: English

**Seventy-second session**
Agenda item 135
**Programme budget for the biennium 2016-2017**

# Fifteenth annual progress report on the implementation of the capital master plan

## Report of the Advisory Committee on Administrative and Budgetary Questions

## I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions considered the fifteenth annual progress report of the Secretary-General on the implementation of the capital master plan (A/72/294). The Committee also had before it the report of the Board of Auditors on the capital master plan for the year ended 31 December 2016 (A/72/5 (Vol. V)) and the related report of the Secretary-General on the implementation of the recommendations of the Board (A/72/355). During its consideration of the above-mentioned reports, the Advisory Committee met with members of the Audit Operations Committee of the Board of Auditors and representatives of the Secretary-General, who provided additional information and clarification, concluding with written responses received on 10 October 2017.

2. The report of the Secretary-General is submitted pursuant to General Assembly resolution 57/292, in which the Assembly requested the Secretary-General to submit annual progress reports to it on the implementation of the capital master plan. In the same resolution, the Assembly also requested the Board of Auditors to report to it annually on its oversight activities on the development and implementation of the capital master plan.

3. The main subjects covered in the fifteenth progress report of the Secretary-General include: (a) project status; (b) remaining activities; (c) implementation of the recommendations of the Board of Auditors; (d) benefits of the capital master plan; (e) the financial status of the capital master plan; (f) arbitration issues; (g) associated costs and the secondary data centre; and (h) consolidated expenditure and requirements.

4. The Board indicates that its report focuses on: (a) financial status; (b) project schedule and scope; (c) managing the campus; and (d) maximizing the benefits of the renovated campus. In its report, the Board provides an update on the status of implementation of its previous recommendations and issues six new



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recommendations, all of which have been accepted by the Secretariat. The Board indicates that its audit was conducted from 13 March to 7 April 2017.

5. The observations of the Advisory Committee on the report of the Secretary-General and on the issues raised by the Board of Auditors are discussed under the relevant headings in section II below.

# II. Observations and comments

## A. Project status

### Residual capital works

6. In his report, the Secretary-General provides the following information on the status of the project: (a) the demolition and the removal of the temporary North Lawn Building were concluded in July 2016, and the subsequent construction, punch-list, commissioning and corrective work relating to the landscaping of the North Lawn were completed and achieved the status of final completion in August 2017; (b) the construction, punch-list, commissioning and corrective work and the security-related work at the 42nd and 48th Street entrances were completed and achieved the status of final completion in August 2017; (c) the accounts associated with 23 of the 24 guaranteed maximum price contracts with the construction management company were reconciled and paid; and (d) the accounts associated with the interim arrangements for the relocation of the staff and functions of the Dag Hammarskjöld Library Building and the South Annex Building, including the reconfiguration of the Dag Hammarskjöld Library Building and the construction of classrooms in the third basement area of the North Lawn Building and three new food service locations, were reconciled and paid.

7. In its report, the Board of Auditors provides information on the project schedule and scope of the residual capital works (see A/72/5 (Vol. V), paras. 43-51). It indicates that the Secretariat expected construction work to be completed by June 2017 and final administrative closure of the project and all related contracts in August 2017. The Board observes that there has been a delay of 2 years and 6 months from the original scheduled date of completion, which was the end of 2014. The Advisory Committee notes that the status of the project as reported by the Secretary-General in his report (see para. 6 above), in which an administrative close-out date of 31 December 2017 is projected, reflects a further four-month delay in the completion of the project. The Committee comments on the completion date of the capital master plan in its report on the reports of the Board of Auditors on the financial statements of the United Nations (see A/72/537, para. 35).

### Remaining activities

8. The Secretary-General indicates that at the time of the submission of his report, all construction work had been completed for all scopes and subcomponents of the capital master plan project and all invoices and accounts had been reconciled and paid with the exception of five contracts, the final payments for which are expected to be paid by December 2017. The five contracts were as follows: (a) the coordination agreement with the construction management company; (b) the construction work in relation to the demolition and landscaping work; (c) the construction work in connection with the security-related work at the 42nd and 48th Street entrances; (d) the project management company; and (e) the design and engineering company. Upon request, the Advisory Committee was informed that the remaining activities, namely, the administrative close-out of the contracts, the reconciliation of accounts and the payment of invoices, were all expected to be concluded by 31 December 2017.

**Financial status**

9. Information on the financial status of the project is provided in paragraphs 36-44 of the report of the Secretary-General and in paragraphs 7-36 of the report of the Board of Auditors. As indicated, the total approved funding for the capital master plan project amounts to $2,150.4 million, comprising appropriations for the original project scope of $1,876.7 million, donations of $14.3 million, interest income and the plan's working capital reserve amounting to $159.4 million and $100.0 million funding for the enhanced security upgrades. Taking into account the associated costs and the cost of the secondary data centre borne by the capital master plan ($154.7 million) and a support account contribution ($4.2 million) for the secondary data centre, the final cost of the capital master plan, including the removal from the scope of the project of the renovation of the Dag Hammarskjöld Library and South Annex Buildings, amounts to $2,309.3 million.

10. The Secretary-General indicates that the cost of the residual work (demolition and landscaping, and security-related work at the 42nd and 48th Street entrances) increased by $1.2 million, from $36.1 million to $37.3 million. Upon enquiry, the Advisory Committee was provided with table 1, showing the breakdown of the cost estimates for the interim solutions and residual work in 2016 and 2017. The Committee did not receive any details on the additional requirements.

Table 1
**Breakdown of the cost estimates for the interim solutions and residual works in 2016 and 2017**
(United States dollars)

| | | *Estimate 2016* | *Estimate 2017* |
|---|---|---|---|
| Interim solutions | Three alternative food services | 4 300 000 | 3 600 000 |
| | Reconfiguration of the Dag Hammarskjöld Library Building | 3 100 000 | 2 800 000 |
| | North Lawn Building third basement classrooms | 5 100 000 | 5 300 000 |
| **Subtotal** | | **12 500 000** | **11 700 000** |
| Residual work | North Lawn Building demolition and landscaping | 19 000 000 | 19 400 000 |
| | 42nd and 48th Street entrances | 17 100 000 | 17 900 000 |
| **Subtotal** | | **36 100 000** | **37 300 000** |
| **Total** | | **48 600 000** | **49 000 000** |

11. It is further indicated that the increase was offset internally by the savings made as a result of the completion of the interim solutions, comprising: (a) three new food service locations; (b) the construction of classrooms in the third basement area of the North Lawn Building; and (c) the reconfiguration of the Dag Hammarskjöld Library Building following the relocation of staff and functions of the building.

## B. Benefits realization

**Energy efficiency**

12. In his report, the Secretary-General provides an update of the data provided in the fourteenth progress report, including a comparison of energy consumption

between 2006 and 2017. The Secretary-General indicates that in 2015, following the implementation of the capital master plan, the total energy consumption was reduced substantially, by more than 75 per cent compared with the total consumption in 2006, prior to the implementation of the plan. The Secretary-General also indicates that the reduction in energy consumption was consistent and a similar reduction was achieved in 2016 and 2017. **The Advisory Committee is disappointed that the Secretary-General did not quantify the monetary benefits and savings from the reduction in energy consumption.**

13. In its report on the fourteenth annual progress report on the implementation of the capital master plan (A/71/541), the Advisory Committee observed that the efficiencies reported had been calculated using engineering models rather than actual performance. The Committee requested the Secretary-General to provide in his next progress report comprehensive data on the quantifiable efficiency gains achieved, both in terms of energy usage and costs of utilities, based on the actual data gathered. In its report, the Board of Auditors indicates that, as part of the capital master plan, an Energy Dashboard and Reporting Tool (EDART) to measure and report in real time on energy usage at the aggregate level as well as at the equipment level, had been implemented and became operational in January 2017. However, the tool has proven to be unreliable in accurately recording usage of steam, gas and water, and the Secretariat continues to work with the vendor to improve accuracy. The Board recommends that the issues with the EDART tool be resolved. It further recommends that the Secretariat carry out a feasibility analysis on the parameters set in the study of energy efficiency conducted by a consultant in April 2015 to identify areas for improving energy efficiency, after taking into consideration the enhanced flexibility offered by the implementation of the capital master plan.

14. **The Advisory Committee expects the Secretary-General to implement the Board's recommendations expeditiously, and to report on this matter in his next progress report. The Committee reiterates its previous recommendation that the General Assembly request the Secretary-General to provide in his next progress report data on the quantifiable efficiency gains achieved, both in terms of energy usage and costs of utilities, based on the actual data gathered. The Committee also recommends that the Assembly request the Secretary-General to closely monitor and continue to optimize energy usage, and to report on actual efficiency gains realized in future progress reports.**

### Accessibility

15. The Secretary-General states that the capital master plan provided, inter alia, a newly renovated facility that is accessible to all individuals and compliant with the building, fire and safety codes of the host city (see A/72/294, para. 28). The Board of Auditors notes that under the capital master plan, accessibility elements have been implemented in the Headquarters campus, and also notes that the effectiveness of those measures can be validated only by the users. The Board is of the view that a consultation process with users of the newly implemented accessibility elements, including staff, delegates and participants, would enable the Secretariat to take further action on making accessibility more effective. The Board recommends that the Secretariat conduct a user survey on the effectiveness of the accessibility features in order to identify gaps, if any, in the infrastructure created as part of the capital master plan. The Secretariat accepted the recommendation and informed the Board that a proposal had been presented to the United Nations Interdepartmental Task Force on Accessibility on 30 January 2017 on developing an online feedback website for all users of United Nations Headquarters to enable them to provide feedback on their accessibility experiences (see A/71/344 and A/71/344/Corr.1).

16. In response to an enquiry as to whether the Secretariat had received any requests or complaints from persons with disabilities, the Advisory Committee was informed that, because of the sometimes sensitive nature of disability issues, and following the general best practice that issues relating to reasonable accommodation for accessibility should be dealt with where possible at the most immediate level of supervision, the Organization does not have reliable information on the number of requests for reasonable accommodation, the nature of those requests, or the number of instances in which reasonable accommodation was provided. The Secretariat also indicated that, under the coordination of the Interdepartmental Task Force on Accessibility, an online survey had been launched in July 2017 to seek feedback from all users of United Nations Headquarters — delegates, staff, representatives of non-governmental organizations, contractors and the visiting public — on their accessibility experiences. The online survey would remain open for a period of three months, and responses would be analysed by the Task Force.

17. In paragraph 80 of its report, the Board of Auditors notes that in his thirteenth annual progress report on the implementation of the capital master plan (A/70/343), the Secretary-General stated that the capital master plan improved physical accessibility to the Headquarters compound and made it fully accessible to individuals with disabilities. Notwithstanding the assertion of the Secretary-General, the Advisory Committee was apprised of a number of accessibility issues encountered by delegations using the conference facilities.

18. **While recognizing that a number of accessibility elements have been implemented under the capital master plan, the Advisory Committee is of the view that there is a need to conduct a review of the Headquarters compound in order to identify any gaps in the infrastructure compared with physical accessibility requirements under local building codes. The Committee recommends that the General Assembly request the Secretary-General to conduct such a review and to report on the findings of the review in his next progress report.** The Committee will make further comments on accessibility issues in the context of its consideration of the report of the Secretary-General on the pattern of conferences (A/72/116).

### Flexible workplace

19. The Board of Auditors discusses the flexible workplace in paragraphs 85-95 of its report. It provides information on the status of implementation and costs of the project, as well as on the results of a post-occupancy work productivity index survey and utilization study carried out after the reconfiguration of the 13th, 18th and 19th floors of the Secretariat Building. The Board recommends that the Secretariat regularly monitor productivity gains while ensuring a reduction in space requirements. The Advisory Committee will discuss the flexible workplace further in the context of its consideration of the report of the Secretary-General on the matter (A/72/379).

## C. Maintenance and management of the campus

### Maintenance arrangements

20. In his report, the Secretary-General notes that while the newly renovated buildings require less overall maintenance and repair, the newly installed systems and equipment require more consistent and costly servicing, requiring high levels of technical expertise that the Secretariat does not possess in-house and for which the services of specialized commercial vendors need to be retained. In its report, the Board of Auditors recalls that the Secretariat had planned to engage a specialized

firm at the end of 2017 after 12 months of maintenance data had become available in the plant maintenance module of Umoja to undertake an external independent review of the maintenance practices and approaches and assess the balance between outsourcing and the in-house provision of maintenance, ensuring the cost-effective use of resources. However, the commissioning of the specialist firm has now been planned for late 2018 owing to the delayed deployment of the Umoja plant maintenance module. Furthermore, the Board indicates that it was informed by the Secretariat that the staffing in the heating, ventilation and air conditioning shop was inadequate in comparison with the need for basic preventive maintenance and that the current staffing resource was not adequate to meet even the minimum maintenance recommended by the manufacturer.

21. **The Advisory Committee trusts that the above issues are not having a negative impact on the maintenance of the newly installed systems and equipment. It expects the Secretary-General to address this issue as a matter of priority, and to provide an update on the status of the maintenance arrangements to the General Assembly at the time of its consideration of the present report.**

**Protection of assets**

22. In its report, the Board of Auditors expresses its concern about internal controls with respect to the safeguarding of assets, noting that after renovation of the buildings under the capital master plan projects, the Secretariat was unable to locate 208 assets (20.8 per cent) out of 1,000 assets physically verified.

23. In response to a request for an update on the status and value of the above-mentioned assets, the Advisory Committee was informed that at the time of the Board's audit, in March 2017, physical verification of 419 items out of a total of 1,609 items had not been completed. As of September 2017, a further 131 items had been accounted for or appropriately addressed, leaving a total of 228 items that had not been physically verified, with a total book value of $1.24 million. A summary of the 419 assets is provided in table 2.

Table 2
**Status and value of assets not physically verified as of March 2017**

| *Status of assets* | *Quantity* | *Value as of Sept. 2017 (U.S. dollars)* |
|---|---|---|
| 1. Physically verified in 2017 | 130 | 295 836 |
| 2. In process of write-off | 37 | – |
| 3. Derecognized | 24 | – |
| 4. Not yet located | 228 | 1 240 006 |
| **Total** | **419** | **1 535 843** |

24. The Advisory Committee was informed that many of the items in question consisted of technical information technology equipment, such as network switches, that are part of the overall information technology infrastructure. The Committee was also informed that the 228 items that remained to be located included nine vehicles with a depreciated value of $483,995, representing 39 per cent of the total depreciated value. Upon enquiry, the Committee was informed that the vehicles were not connected to the capital master plan, but had initially appeared in the United Nations assets inventory because they had been purchased centrally by the Department of Safety and Security and deployed directly to its field offices in Kazakhstan, the United Arab Emirates, Bahrain, Eritrea and Algeria. The vehicles had been physically verified in 2017 at their respective locations, and changes have been made in Umoja

so that the items are not shown as part of the Headquarters inventory. **The Committee expects the Secretariat to complete the physical verification of all remaining assets and to provide an update on the verification status and value of the assets in the next progress report. The Committee trusts that the Board of Auditors will review this matter in the context of its next audit and provide assurance that all assets have been located and accounted for.**

## D. Implementation of the recommendations of the Board of Auditors

25. In its previous report, the Advisory Committee had noted that of the 50 recommendations made by the Board of Auditors over the prior three bienniums, 12 recommendations were outstanding (see A/71/541, para. 29). In its most recent report, the Board indicates that during the reporting period, 2 of the 12 outstanding recommendations had been implemented and 10 were under implementation. In response to a request for further information on the low implementation rate, the Board informed the Committee that the 10 recommendations under implementation comprised 2 recommendations issued in the 2012 report of the Board, a further 2 in the 2013 report, and 3 in each of the Board's reports for 2014 and 2015. The Board indicated that while the Secretariat was taking a long time to implement some of the recommendations, the actions required were ongoing. In response to an enquiry, the Secretariat further informed the Committee that 2 of the 10 pending recommendations were related to the capital master plan project, while the remaining 8 recommendations pertained to broader issues regarding the operations and maintenance of the campus following completion of the capital master plan. **The Committee remains concerned by the high number of outstanding recommendations as the project nears final completion. The Committee trusts that every effort will be made to implement the remaining recommendations expeditiously, and that a comprehensive update on the status of the outstanding recommendations will be provided in the next report of the Board of Auditors and the next progress report of the Secretary-General.**

## E. Other issues

### Painting of the East River fence

26. In its previous report, the Advisory Committee noted that it had been informed by the Secretariat that it planned to incorporate the painting of the East River fence as part of the overall inspection work of the underside of the FDR Drive overhang. The inspection was expected to be undertaken at the beginning of 2017 and, depending on the outcome, remedial works were planned for the summer of 2017 when there would be less vehicular traffic, since FDR Drive lanes would need to be closed at some point to install netting protection (see A/71/541, para. 32). **The Committee is disappointed that no progress has been made to date in addressing this issue. The Committee recommends that the General Assembly request the Secretary-General to complete the remedial works during the summer of 2018 and to provide an update on the matter in his next progress report.**

### Recreation facility

27. The previous report of the Advisory Committee included information provided to the Committee on the plans for construction of a recreation facility using resources contributed by the International Olympic Committee (see A/71/541, para. 33). At that time, the Committee expressed its view that the implementation of such a facility required prior approval by the General Assembly (ibid., paras. 33-34). **The Committee expects that the Secretary-General will provide explanations on all**

**the issues it raised in its previous report, including on the reasons for proceeding with the construction of the recreation facility without prior approval of the Assembly.**

28. Upon request, the Advisory Committee was informed that the annual operating and maintenance costs of the facility amounted to $47,883 for regular cleaning of the pavilion and gym spaces and miscellaneous ad hoc repairs to the structures and infrastructure. The maintenance costs would be covered by the donation for the first seven years, which is the anticipated useful life of the structures. **The Committee trusts that the Secretary-General will seek a further donation or contribution from the International Olympic Committee should any requirements for renovation or maintenance costs or other associated costs arise beyond the first seven years of the existence of the facility.**

### Arbitration

29. Upon enquiry, the Advisory Committee was informed that should the Organization have to settle any litigation claims filed under the two notices of arbitration (see A/72/294, paras. 45-48), the Controller would present a proposal for the funding of the requirements for consideration by the General Assembly. Depending on the amounts to be paid, the additional requirements could be reported in the second performance report of the programme budget for the biennium in which the payments would have to be made, or through the use of any unencumbered balance available at the time of the closure of the capital master plan project, or a combination of both. The Committee was also informed that the cost of the contracted law firms was being met from within the approved budget of the capital master plan.

## III. Conclusions and recommendations

30. The action to be taken by the General Assembly is set out in paragraph 53 of the report of the Secretary-General. **Subject to its comments and recommendations in the paragraphs above, the Advisory Committee recommends that the General Assembly:**

(a) **Note the progress made since the issuance of the fourteenth annual progress report;**

(b) **Request the Secretary-General to submit the sixteenth and final progress report of the project and the aggregate cost to completion at the main part of the seventy-third session of the General Assembly.**